

Assembly Bill No. 2891

Passed the Assembly May 3, 2000

Chief Clerk of the Assembly

Passed the Senate August 22, 2000

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2000, at _____ o'clock ____M.

Private Secretary of the Governor

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CHAPTER _____

An act to amend Sections 75.11, 75.21, 532, 731, 732, 733, 746, 748, 749, 758, and 759 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2891, Committee on Revenue and Taxation. Property taxation.

Existing law with respect to supplemental property tax assessments specifies various limitation periods for assessments on the supplemental tax roll. Existing law also provides that these limitations periods do not commence unless certain filings or transmittals occur.

This bill would eliminate this latter provision and would require, if a change in ownership is unrecorded and a change in ownership state or preliminary change in ownership report is not filed, that a supplemental assessment be made no later than the 8th July 1 following the July 1 of the assessment year in which the event giving rise to the supplemental assessment occurred. This bill would also specify that there is no limitations period upon the making of a supplemental assessment if a statutory penalty for fraud is required to be added to that assessment.

Existing law with respect to supplemental property tax assessments provides for the application of property tax exemptions to those assessments provided, among other things, that, where the assessee is required to file an application for exemption, the assessee files an application for exemption for the next following property tax lien date.

This bill would, subject to certain exceptions, require, in those instances in which the filing of an application for exemption is required, that an assessee file an exemption application or an amendment to a current exemption application on or before the 30th day following the date of a supplemental assessment notice in order to receive a full exemption with respect to that assessment. This bill



would also specify partial exemption percentages to be applied against a supplemental assessment, in the case in which a timely application for exemption is not filed, for various specified property tax exemptions. This bill would also specify that the filing of an exemption claim is not required with respect to the supplemental tax roll if a supplemental assessment results from (1) the completion of new construction upon property that has previously been exempted on either the current, regular property tax roll or the regular property tax roll being prepared, or (2) a change in ownership of property where the purchaser of that property owns and uses or uses, as applicable, property that has been granted any of certain property tax exemptions on either the current regular property tax roll or the regular property tax roll being prepared, and the newly acquired property is put to the same use.

Existing property tax law generally requires that an escape assessment be made within 4 years after July 1 of the assessment year in which the subject property escaped taxation or was underassessed, but instead specifies a 6-year limitations period for the making of an escape assessment to which is added a statutory penalty for evasion or misrepresentation with respect to taxable personal property. Existing property tax law provides that these limitations periods do not commence until July 1 of the assessment year in which either a change in ownership statement or a preliminary change in ownership report is filed with respect to the event giving rise to the escape assessment.

This bill would eliminate these latter provisions with respect to the commencement of limitations periods for the making of an escape assessment. This bill would also specify, as an additional exception to the general 4-year limitations period for making an escape assessment, an 8-year limitations period for an assessment resulting from an unrecorded change in ownership for which neither a change in ownership statement or preliminary change in ownership report is filed with respect to the event giving rise to the escape assessment or underassessment. This



bill would further require that an escape assessment be made for each year that a property escaped taxation or was underassessed if either a statutory penalty for fraud is required to be added to an escape assessment or a change in ownership statement with regard to a legal entity is not filed.

Existing property tax law with respect to assessments made by the State Board of Equalization provides for the assessment of property, including the assessment of property on a unitary basis in the case in which properties are operated as a unit in a primary function of the assessee. Existing law also requires the board to mail a notice of a state assessment between the first day of January and the first day of June in the case of a unitary assessee, and between the first day of January and the last day of June in the case of a nonunitary assessee. Existing law requires each of these notices to advise the assessee with respect to a declaration of intent to petition for reassessment, and also establishes procedures and deadlines for the appeal of state assessments.

This bill would eliminate the filing of declarations of intent to petition for reassessment of state-assessed property, whether that property is assessed on a unitary or nonunitary basis. This bill would allow a petition for reassessment of unitary property to be filed no later than July 20 of the year of the assessment notice, and would allow a petition for reassessment of nonunitary property to be filed no later than September 20 of the year of the assessment notice. This bill would also establish a 50-day deadline for filing a petition for reassessment in the case of an escape assessment. This bill would also require the mailing of notice of a nonunitary assessment by the last day in July, rather than the last day of June.

Existing property tax law with respect to assessments made by the State Board of Equalization requires the board to allocate assessed values among the counties in which the assessed properties are located, and requires the board, upon or prior to its completion of its assessment roll, to mail notice to each assessee of the allocated assessed values of the assessee's unitary properties.



Existing law requires this notice to specify a 5-day period from the date of mailing of the notice for the assessee to file a petition for correction of these allocations.

This bill would require the board to mail notice to an assessee of allocated assessed values no later than June 15 and require that notice to advise the assessee that a petition for correction may be filed no later than July 20 of the year of that notice. This bill would also require the board to notify an assessee of a hearing on a petition for correction of an allocated assessment no less than 10 working days, rather than 5 days, in advance of the hearing. This bill would further require that a petition for correction of an allocated assessment be determined by December 31, rather than July 1.

The people of the State of California do enact as follows:

SECTION 1. Section 75.11 of the Revenue and Taxation Code is amended to read:

75.11. (a) If the change in ownership occurs or the new construction is completed on or after January 1 but on or before May 31, then there shall be two supplemental assessments placed on the supplemental roll. The first supplemental assessment shall be the difference between the new base year value and the taxable value on the current roll. In the case of a change in ownership of the full interest in the real property, the second supplemental assessment shall be the difference between the new base year value and the taxable value to be enrolled on the roll being prepared. If the change in ownership is of only a partial interest in the real property, the second supplemental assessment shall be the difference between the sum of the new base year value of the portion transferred plus the taxable value on the roll being prepared of the remainder of the property and the taxable value on the roll being prepared of the whole property. For new construction, the second supplemental assessment shall be the value change due to the new construction.



(b) If the change in ownership occurs or the new construction is completed on or after June 1 but before the succeeding January 1, then the supplemental assessment placed on the supplemental roll shall be the difference between the new base year value and the taxable value on the current roll.

(c) If there are multiple changes in ownership or multiple completions of new construction, or both, with respect to the same real property during the same assessment year, then there shall be a net supplemental assessment placed on the supplemental roll, in addition to the assessment pursuant to subdivision (a) or (b). The net supplemental assessment shall be the most recent new base year value less the sum of (1) the previous entry or entries placed on the supplemental roll computed pursuant to subdivision (a) or (b), and (2) the corresponding taxable value on the current roll or the taxable value to be entered on the roll being prepared, or both, depending on the date or dates the change of ownership occurs or new construction is completed as specified in subdivisions (a) and (b).

(d) (1) Except as otherwise provided in paragraph (2), no supplemental assessment authorized by this section shall be valid, or have any force or effect, unless it is placed on the supplemental roll on or before the applicable date specified in subparagraphs (A), (B), or (C) as follows:

(A) The fourth July 1 following the July 1 of the assessment year in which either a statement reporting the change in ownership was filed pursuant to Section 480, 480.1, or 480.2, a preliminary change in ownership report was filed pursuant to Section 480.3, or the new construction was completed.

(B) The sixth July 1 following the July 1 of the assessment year in which either a statement reporting the change in ownership was filed pursuant to Section 480, 480.1, or 480.2, a preliminary change in ownership report was filed pursuant to Section 480.3, or the new construction was completed, if the penalty provided for in Section 504 is added to the assessment.



(C) The eighth July 1 following the July 1 of assessment year in which the event giving rise to the supplemental assessment occurred, if the change in ownership or change in control was unrecorded and a change in ownership statement, required by Section 480, or a preliminary change in ownership report, as required by Section 480.3, was not timely filed.

(2) Notwithstanding paragraph (1), there shall be no limitations period on making a supplemental assessment, if the penalty provided for in Section 503 is required to be added to the assessment.

For the purposes of this subdivision, “assessment year” means the period beginning annually as of 12:01 a.m. on the first day of January and ending immediately prior to the succeeding first day of January.

(e) If, before the expiration of the applicable period specified in subdivision (d) for making a supplemental assessment, the taxpayer and the assessor agree in writing to extend the period for making a supplemental assessment, correction, or claim for refund, a supplemental assessment may be made at any time prior to the expiration of that extended period. The extended period may be further extended by successive written agreements entered into prior to the expiration of the most recent extension.

SEC. 2. Section 75.21 of the Revenue and Taxation Code is amended to read:

75.21. (a) Exemptions shall be applied to the amount of the supplemental assessment, provided that all of the following are true:

(1) The property is not receiving any other exemption on either the current roll or the roll being prepared except as provided for in subdivision (b).

(2) The assessee is eligible for the exemption.

(3) In those instances in which the provisions of this division require the filing of claims for exemption assessee makes a claim for the exemption.

(b) If the property received an exemption on the current roll or the roll being prepared and the assessee on the supplemental roll is eligible for an exemption and in

those instances in which the provisions of this division require the filing of claims for exemption, the assessee makes a claim for an exemption of a greater amount, then the difference in the amount between the two exemptions shall be applied to the supplemental assessment.

(c) (1) If this division requires the filing of claims for exemption, any person claiming to be eligible for an exemption to be applied against the amount of the supplemental assessment shall, except as otherwise provided in subdivision (d) or (e), file a claim or an amendment to a current claim, in that form as prescribed by the board, on or before the 30th day following the date of notice of the supplemental assessment, in order to receive a 100 percent exemption.

(2) With respect to property as to which the college, cemetery, church, religious, exhibition, veterans' organization, free public libraries, free museums, or welfare exemption was available but for which a timely application for exemption was not filed, the following amounts shall be canceled or refunded:

(A) Ninety percent of any tax or penalty or interest thereon, or any amount of tax or penalty or interest thereon exceeding two hundred fifty dollars (\$250) in total amount, whichever is greater, for each supplemental assessment, provided that an appropriate application for exemption is filed on or before the date on which the first installment of taxes on the supplemental tax bill becomes delinquent, as provided by Section 75.52.

(B) Eighty-five percent of any tax or penalty or interest thereon, or any amount of tax or penalty or interest thereon exceeding two hundred fifty dollars (\$250) in total amount, whichever is greater, for each supplemental assessment, if an appropriate application for exemption is filed after the date specified in subparagraph (A).

(3) For property for which the welfare exemption or veterans' organization exemption was available, Section 254.5, other than the specified dates for the filing of



affidavits and other acts, applies to the application of those exemptions against a supplemental assessment.

(4) For property for which the veterans', homeowners', or disabled veterans' exemption was available but for which a timely application for exemption was not filed, that portion of tax attributable to 80 percent of the amount of exemption available shall be canceled or refunded, provided that an appropriate application for exemption is filed on or before the date on which the first installment of taxes on the supplemental tax bill becomes delinquent as provided by Section 75.52.

(5) With respect to property as to which any other exemption was available, but for which a timely application for exemption was not filed, the following amounts shall be canceled or refunded:

(A) Ninety percent of any tax or penalty or interest thereon, provided that an appropriate application for exemption is filed on or before the date on which the first installment of taxes on the supplemental tax bill becomes delinquent, as provided by Section 75.52.

(B) Eight-five percent of any tax or penalty or interest thereon, or any amount of tax or penalty or interest thereon exceeding two hundred fifty dollars (\$250) in total amount, whichever is greater, for each supplemental assessment, if an appropriate application for exemption is filed after the date specified in subparagraph (A).

(6) Other provisions of this division pertaining to the late filing of claims for exemption do not apply to assessments made pursuant to this chapter.

(d) For purposes of this section, any claim for the homeowners' exemption, veterans' exemption, or disabled veterans' exemption previously filed by the owner of a dwelling, granted and in effect, constitutes the claim or claims for that exemption required in this section. In the event that no claim for the homeowners' exemption, veterans' exemption, or disabled veterans' exemption is in effect, a claim for any of those exemptions for a single supplemental assessment for a change in ownership or new construction occurring on or after June

1, up to and including December 31, shall apply to that assessment; a claim for any of those exemptions for the two supplemental assessments for a change in ownership or new construction occurring on or after January 1, up to and including May 31, one for the current fiscal year and one for the following fiscal year, shall apply to those assessments. In either case, if granted, the claim shall remain in effect until title to the property changes, the owner does not occupy the home as his or her principal place of residence on the lien date, or the property is otherwise ineligible pursuant to Section 205, 205.5, or 218.

(e) Notwithstanding subdivision (c), both of the following apply:

(1) No additional exemption claim is required to be filed until the next succeeding lien date if a supplemental assessment results from the completion of new construction on property that has previously been granted exemption on either the current roll or the roll being prepared.

(2) No additional exemption application is required to be filed until the next succeeding lien date if a supplemental assessment results from a change in ownership of property where the purchaser of the property owns and uses or uses, as the case may be, other property that has been granted the college, cemetery, church, religious, exhibition, veterans' organization, free public libraries, free museums, or welfare exemption on either the current roll or the roll being prepared and the property purchased is put to the same use. If a timely application for exemption is not filed on or before the next succeeding lien date, then the provisions of paragraph (1) of subdivision (c) apply. In all other instances where a supplemental assessment results from a change in ownership of property, an application for exemption shall be filed pursuant to subdivision (c).

SEC. 3. Section 532 of the Revenue and Taxation Code is amended to read:

532. (a) Except as provided in subdivision (b), any assessment made pursuant to either Article 3 (commencing with Section 501) or this article shall be



made within four years after July 1 of the assessment year in which the property escaped taxation or was underassessed.

(b) (1) Any assessment to which the penalty provided for in Section 504 is required to be added shall be made within six years after July 1 of the assessment year in which the property escaped taxation or was underassessed.

(2) Any assessment resulting from an unrecorded change in ownership or change in control for which either a change in ownership statement, as required by Section 480, or a preliminary change in ownership report, as required by Section 480.3, is not filed with respect to the event giving rise to the escape assessment or underassessment, shall be made within eight years after July 1 of the assessment year in which the property escaped taxation or was underassessed. For purposes of this paragraph, an “unrecorded change in ownership or change in control” means a deed or other document evidencing a change in ownership was not filed with the country recorder’s office at the time the event took place.

(3) Notwithstanding paragraphs (1) and (2), in the case where property has escaped taxation, in whole or in part, or has been underassessed, following a change in ownership and either the penalty provided for in Section 503 is required to be added or a change in ownership statement, as required by Section 480.1 or 480.2 was not filed with respect to the event giving rise to the escape assessment or underassessment, an escape assessment shall be made for every year in which the property escaped taxation or was underassessed.

(c) For purposes of this section, “assessment year” means the period defined in Section 118.

SEC. 4. Section 731 of the Revenue and Taxation Code is amended to read:

731. Each year between the first day of January and the first day of June, upon valuing the unitary property of an assessee, the board shall mail to the assessee, at its address as shown in the records of the board, a notice stating the amount of the assessed value of the assessee’s

unitary property. The notice shall advise the assessee that a petition for reassessment of the unitary property may be filed not later than July 20 of the same calendar year in which the notice is provided at the headquarters of the board in Sacramento.

SEC. 5. Section 732 of the Revenue and Taxation Code is amended to read:

732. Each year between the first day of January and the last day of July, upon valuing the nonunitary property of an assessee, the board shall mail to the assessee at its address shown in the records of the board a notice stating the amount of the assessed value of the assessee's nonunitary property. The notice shall advise the assessee that a petition for reassessment of the nonunitary property may be filed not later than September 20 of the same calendar year in which the notice is provided of the headquarters of the board in Sacramento.

SEC. 6. Section 733 of the Revenue and Taxation Code is amended to read:

733.

(a) If a timely petition for reassessment is not filed with the board, an assessment of unitary or nonunitary property of the assessee shall become final at the expiration of the period specified for filing a petition in the notice given in accordance with Section 731 or Section 732.

(b) The board may extend the period for filing a petition for reassessment once for a period not to exceed 15 days, provided a written request for the extension is filed with the board prior to the expiration of the period for which the extension may be granted.

SEC. 7. Section 746 of the Revenue and Taxation Code is amended to read:

746. Each year upon or prior to the completion of the assessment roll prepared by the board, but not later than June 15, the board shall mail notice to each assessee at its address as shown on the records of the board, of the allocated assessed values of the assessee's unitary property that have been or are proposed to be placed on the assessment roll to be transmitted to county auditors.



The notice shall advise the assessee that a petition for a correction of an allocated assessment may be filed not later than July 20 of the same calendar year in which the notice is provided at the headquarters of the board in Sacramento.

SEC. 8. Section 748 of the Revenue and Taxation Code is amended to read:

748. Upon receipt of a timely petition for correction of an allocated assessment, the board shall set a time and place within the state for a hearing on the petition. The board shall mail notice of the time and place for the hearing to the assessee at its address as shown on the records of the board not be less than 10 working days prior to the date of the hearing.

SEC. 9. Section 749 of the Revenue and Taxation Code is amended to read:

749. Section 743 shall be applicable to hearings on petitions for correction of an allocated assessment and the board shall notify the petitioner of its decision by mail. The decision shall include written findings and conclusions of the board if requested at or prior to the commencement of the hearing. A decision of the board on a petition for correction of an allocated assessment shall be completed on or before December 31 of the year in which the relevant hearing was held.

SEC. 10. Section 758 of the Revenue and Taxation Code is amended to read:

758. If the board roll has been transmitted to the local auditors, the board may make an assessment of escaped property or a roll correction. At least 30 days prior to transmitting a statement of assessment of escaped property or making a roll correction, the board shall notify the assessee whose property's full value has increased as a result of an escape assessment or roll correction of the assessed value of that property as it shall appear on the corrected roll. The notice shall be mailed to the assessee at its address shown in the records of the board. The notice shall advise the assessee of the date by which and the place where a petition for reassessment may be filed. The date for filing the petition shall not be

less than 50 days from the date of the mailing of the notice of value. The provisions of Sections 741 to 744, inclusive, shall be applicable to petitions and hearings pursuant to this section except for the dates prescribed for decisions of the board.

SEC. 11. Section 759 of the Revenue and Taxation Code is amended to read:

759. (a) If a timely petition for reassessment is not filed in accordance with the notice provided by the board pursuant to Section 758, an escape assessment or roll correction shall become final at the expiration of the period for filing a petition for reassessment specified by that notice.

(b) The board may extend the period for filing a petition for reassessment once for a period not to exceed 15 days, provided a written request for the extension is filed with the board prior to the expiration of the period for which the extension may be granted.



Approved _____, 2000

Governor

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